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Office of the
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Bureau du
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du Canada

DISCUSSION PAPER NO. 38

AUDITING REGULATORY ORGANIZATIONS

BY

F. Savage and R. Paton

OCTOBER 1984

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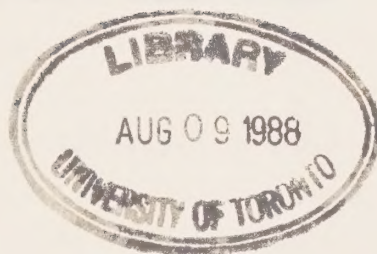
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Preface


This paper was developed at the request of M. Zelman.

The Principal responsible for directing the background work and guiding the overall development of the paper was Richard Paton. Francis Savage prepared the paper and M. Attridge assisted with Appendix I.

The primary purpose of this paper is to provide some basic information and a general approach for auditing regulatory organizations. It is recognized in the paper that there are major differences between organizations that limit the usefulness of a generic or standard audit approach.

The paper, however, does provide audit teams with a framework that could be adapted to the specific regulatory organization being audited. As the Office develops more and more experience it will be in a better position to establish specific methodology in this area.

If there are any comments or suggestions with respect to this paper please direct them to Richard Paton or Francis Savage.



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1. INTRODUCTION

1.2 Purpose

The OAG has carried out audits of regulatory organizations in the past, but without an approach or methodology designed specifically for auditing this type of organization. The purpose of this background paper is to:

- (1) assess the current public and parliamentary concerns about regulatory functions;
- (2) to describe the government's response to these concerns;
- (3) to develop a framework for auditing regulatory agencies based on an analysis of the regulatory process and the various types of regulatory groups; and
- (4) to outline an approach to auditing this area over the next few years.

1.2 Past Regulatory Audits

In past years, the OAG has carried out a number of comprehensive audits of a variety of regulatory entities. Appendix 1 lists the major audits undertaken and the issues they raised. A review of past reports indicates that some guidance in terms of auditing regulatory organizations would be helpful to audit teams. During the next few years, it is likely that the Office will need to audit several regulatory organizations (e.g., CTC, CRTC, Consumer and Corporate Affairs, Air Transport Administration). This paper is designed to assist the Office in this regard.

2. BACKGROUND

2.1 Government Concern with Regulatory Reform

In 1976, one year after an ambitious effort to affect the state of the economy by setting up the Anti-inflation Board, the government published a working paper entitled The Way Ahead: A Framework for Discussion, in which an early dissatisfaction with bureaucratic tinkering with the market mechanism was expressed. The government said its role "should not be to direct and manage the economy in detail" and argued for "effective alternatives to increasing expenditures and expanding bureaucracies". This concern with the role of government, which arose in part as a reaction to the tremendous opposition to government intervention following the imposition of Wage and Price Controls, was discussed at length during the meeting of First Ministers in February, 1978. The participants agreed in principle on the need for regulatory reform and, in their Communiqué, stated that:

The burden of government regulation on the private sector should be reduced and the burden of overlapping federal and provincial jurisdictions should be eliminated. Procedures will be instituted to review the effects of regulatory action on jobs and costs.

2.2 Economic Council of Canada

The First Ministers agreed to refer the question of regulatory reform to the Economic Council of Canada for report and recommendations. The ECC published an interim report in 1979 and a final report in 1981. Among the recommendations made by the ECC were:

- (1) There should be consultation and formal advance notice of major new regulations.
- (2) Systems should be established to ensure that the costs and benefits of proposed major new regulations are assessed.

- (3) Existing regulatory programs should be subjected to systematic, periodic evaluation.
- (4) A central agency should be assigned responsibility for the general co-ordination of decision making concerning new regulations and the evaluation of existing programs.

2.3 Ontario Economic Council

In 1978, the Ontario Economic Council published a series of papers on government regulation, putting forth a number of recommendations, including the following:

- (1) The objectives of all regulations and regulatory agencies should be set out as clearly as possible.
- (2) Criteria for judging an agency's performance should be defined.
- (3) All regulatory agencies should submit to the legislature a comprehensive annual report assessing how well the agency's objectives are being met.
- (4) There should be periodic reviews of existing regulatory measures.
- (5) New regulatory initiatives should be preceded by economic impact studies.

2.4 Other Studies

Beyond the work of the House of Commons Special Committee on Regulatory Reform of the regulatory process has been the subject of studies by a number of distinguished organizations in the last few years, including the Lambert Commission, the Institute for Research on Public Policy, the Law Reform

Commission of Canada, and the C.D. Howe Institute. Their reports and recommendations address a number of concerns which touch the work of the Office in so far as they deal with authority, accountability, and value for money.

2.5 What is Regulation?

In the context of this paper we will follow the definition developed by the ECC and adopted by most other commentators in the field. Thus regulation is:

the imposition of rules by a government, backed by the use of penalties, that are intended specifically to modify the economic behaviour of individuals and firms in the private sector to achieve economic, social, environmental or other objectives.

This definition is restricted to rules modifying economic behaviour and is not concerned with government's control over other human behaviour by laws dealing with non-economic matters, such as divorce and criminal activity.

A significant and highly visible proportion of activities in the federal government involves economic regulation. This includes the work of agencies such as the Canadian Transport Commission; the Canadian Radio - Television and Telecommunications Commission; well-known Department functions such as Consumer Product Safety, Air Safety, Drug Product Safety, Environment Protection; and many less well-known functions such as that of the Explosives Branch of EMR.

2.6 Cost of Regulatory Programs

Although these entities enjoy a high profile and their activities have a significant impact on our economy, the direct costs of regulatory programs are relatively minor. One study estimated that Canadian federal expenditure to

administer regulatory activities in 1977-78 amounted to \$678 million or 1.6 percent of total budgetary expenditures. For example, the CRTC, which regulates a billion dollar a year industry, had a budget of less than \$2.5 million in 1983-84.

From the government's point of view, regulation is one of several policy instruments, including moral suasion, direct expenditures, taxation, tax expenditures and public ownership through Crown corporations, and the like. Regulation offers the advantages of being inexpensive to the government with the real cost or benefits spread over society as a whole.

2.7 Elements of Regulatory Programs

Regulatory schemes, such as the Ship Safety program at Transport Canada, share a number of common elements. First, the authority to direct the behaviour of members of the regulated group, which in the case of Ship Safety will include ship owners and mariners, is legislated by Parliament. Often the legislation will provide for making further rules (subordinate legislation) by the department, to set standards or deal with details. In the case of Ship Safety, the Shipping Act gives the Department of Transport the right to make rules about construction standards, safety equipment standards, and requirements for certification of officers. The grading and classification of beef products according to standards contained in regulations is a more familiar example.

To reach its intended purpose the regulatory scheme will usually provide for inspection or monitoring powers to give the department responsible ways to determine whether its rules and standards are being adhered to. For example, the ship inspectors of Transport Canada have the legal authority to board any ship in Canadian waters to inspect for compliance with safety requirements. Regulatory schemes also provide for sanctions, such as fines, suspension of licences or even imprisonment, to enforce the rules. Pursuing the example of the Ship Safety Branch, its inspectors can tie up a ship if it is found to be unsafe. In the area of environmental pollution, the Environmental Protection Service, which sets standards and monitors compliance, has the power to seize any substance that constitutes a significant danger to human health or the environment.

Enforcing standards and regulations by licensing, inspecting, information gathering, and prosecuting requires a large and expensive bureaucracy. The CRTC, for example, annually processes over 4,000 applications dealing with broadcasting alone. The Ship Safety Branch employs over 160 full time Ship Inspectors at a salary cost of over \$41,000 each. It is in this area that questions of economy and efficiency are most relevant.

3. CURRENT CONCERNS

3.1 Indirect Costs of Regulation

The costs of regulatory programs to the taxpayer appear relatively small in relation to overall government expenditures and, as a result, the question of value for money can seem less relevant than for larger budget items. However, such an approach fails to take into account the significant effects, both positive and negative, that economic regulation imposes on various sectors of society. For example, it has been estimated that the pulp and paper industry has spent an average of \$80 million annually in the last decade on pollution abatement to meet government regulations. As well, the Economic Council of Canada estimates that domestic policies related to dairy products reduce national income by over \$140 million annually.

The effects of such interventions in the market are felt eventually by most Canadians, in the form of higher costs of consumer goods, in reduced employment opportunities in certain communities, or in a higher standard of living in others. There is great concern that the management of some regulatory programs does not reflect this. As the House of Commons Special Committee on Regulatory Reform (Peterson Committee) stated:

Since most of the costs of regulation are borne by the private sector rather than by government, a regulatory program appears to expend few resources relative to most of the government's expenditure programs. The Committee is concerned that not enough emphasis has been placed on the evaluation of regulatory programs. We would like

to see this changed. Regulatory programs that cause large private sector compliance must be given a higher priority... In addition, the Committee wishes to stress the importance of a disciplined approach to decision-making. This approach will not only increase the likelihood that regulation will be less burdensome but also that the Government can meet its objectives more effectively. We are stressing better management of government regulation and the approaches we recommend are management tools. It is in the interest of the regulators to learn to use these tools effectively.

3.2 Peterson Committee Report

The quotes above are taken from the final report of the Peterson Committee on Regulatory Reform, published in 1981. This report was the culmination of research and public hearings carried out by this special task force of the House of Commons. Its Report reflects a great concern on the part of parliamentarians that the management of regulatory processes be improved.

In its 1980 report, the Peterson Committee made 29 detailed recommendations to "provide guidance for change and to promote regulatory reform". Many of these recommendations were inspired by the work of the ECC. The following are some of the concerns expressed in the reports of the Special Committee and the ECC, with emphasis on those issues which affect the work of this Office. (Quotations are from the Committee's Final Report.)

- (1) The Committee indicated that the Government should consider alternatives to regulation before deciding how to tackle a given problem. "... When alternative solutions to a problem are considered, it is important that they include policy instrument alternatives other than regulation, such as taxes or subsidies, not simply alternative levels or standards of regulation. Alternative methods of developing the regulation, such as the consensus prices, should also be explored."

- (2) Before enacting regulations, agencies and departments should consult extensively with all affected parties. The consultative process should include a regulatory agenda to be published bi-annually and containing all the regulatory initiatives contemplated by each department. As well, new regulatory initiatives should be preceded by an appropriate impact assessment. The Committee expressed concern at the lack of expertise in departments with respect to cost-benefit or cost-analysis and the like. "Middle and upper management within many departments may need to develop a better understanding of the uses of such analyses as management tools and aids to decision making. Treasury Board Canada may wish to consider filling this need." (27:21)
- (3) The Committee identified the need to review existing regulations for consistency, validity and appropriateness: "It is also more likely that regulation that has been in place for a long time will no longer be appropriate. Indeed, some programs may have effects that were never intended by those who designed them. Since the number of regulatory programs has grown incrementally, little or no attempt has been made to look at them collectively."
- (4) The Committee found that insufficient information regarding regulatory activities was made to Parliament and the taxpaying public. In particular, annual reports of many departments and agencies fail to provide adequate information on their responsibilities, activities and goals. "We believe that annual reports should contain sufficient information so that parliamentarians and the public can obtain a reasonably comprehensive picture of activities in the past year."
- (5) Both the Committee, the ECC as well as the Law Reform Commission of Canada have made numerous recommendations with respect to Federal Regulatory Agencies such as the CRTC or the CTC, mostly dealing with responsibility for policy formulation. For our purposes, it has been recommended that regulatory agencies establish rules of practice and procedure to improve and speed up the conduct of their

affairs, after consulting with the respective industries that they regulate.

- (6) The Committee expressed grave concern over the problems faced by industries where overlapping federal and provincial regulatory schemes exist: "One of the consequences of this increase in regulatory complexity has been greater overlap, duplication, and conflict between various federal requirements, and between federal and provincial requirements." In some cases, the Committee found "it is possible to comply with one regulatory scheme while being in violation of the other." Instances were also cited of serious inefficiencies resulting from duplication or overlap, as in the case of multiple inspections by several federal and provincial ministries for related purposes.
- (7) There is a lack of effective central control over the creation by individual departments or agencies of new regulations.

4. GOVERNMENT INITIATIVES

4.1 Socio-economic Impact Analyses

Beyond commissioning ECC and Law Reform studies, the government has taken few steps to change its management of regulatory activities. In 1978, the Treasury Board produced a Socio-economic Impact Analysis (SEIA) requirement which applies to all major new regulations in the areas of health, safety, and fairness where the direct and indirect social costs are estimated to be over \$10 million over a one-year period. Under these directives, departments must identify new major health, safety or fairness regulations, prepare SEIAs to be published before their enactment, and respond to comments from non-government groups.

The SEIA rules have not proven very effective for a number of reasons. First it has been left up to the regulating department to decide whether a regulation was major or minor. Second, it is inherently difficult to quantify the

non-monetary effects or proposed regulations. Finally, as the Peterson Committee found, departments lack the expertise required to carry out the appropriate analyses of costs and benefits of new regulations. Since the requirement was introduced in August 1978, only a few SEIAs have been published.

4.2 Office of the Co-ordinator Regulatory Reform

In 1980, the government created the Office of the Co-ordinator, Regulatory Reform (OCRr). This group was created to implement a two year work plan which aimed to improve public administration through reforms to the regulatory process and to reduce the regulatory burden on the Canadian economy. At present, and subject to obtaining more information from the OCRr, we know of no major initiative carried out by that office.

4.3 Recent Initiatives

In recent months, there has been a revival of interest in regulatory reform by the government. In May 1983 the Treasury Board announced the publication of the first set of Regulatory Agendas for 14 departments and reaffirmed the government's commitment to improve the consultative process with the private sector. No further concrete measures have been taken.

4.4 What is Different About a Regulatory Audit?

The total costs of a regulatory activity are not evident from looking only at the financial documents. The government's stated expenditures typically only will reflect the administrative and enforcement costs; that is, the direct costs which it incurs. The compliance costs which are borne by industry are usually much greater. This can result in scoping out a program if materiality is defined only in terms of direct government expenditures, even though the overall costs of the program are in fact very high and the purpose behind the program is very important.

Although regulatory programs vary greatly in objectives and approaches, there are a number of crucial factors that most will require to operate economically, efficiently and effectively. These include clear goals and objectives on which to base rules and standards, adequate information to monitor, enforce and alter the rules as required, appropriate decision-making tools to estimate and measure the effects of the regulations, and adequate resources to ensure compliance at least cost to the taxpayer.

5. AUDIT CRITERIA

In the preceding pages, we have suggested some of the issues central to the study of regulatory agencies. These and others will be discussed in the following paragraphs. Potential audit criteria are suggested for each issue. These criteria have been developed from our general analysis of the literature, the Peterson Committee Report, and previous audit work by the Office.

Authority. In a statutory scheme for the regulation of a given industry or activity, there will normally be wide decision-making powers delegated to designated individuals or entities. The regulatory scheme legislation for example the National Transportation Act may draw broad outlines of the policy objectives intended, leaving the more specific policy decisions to the nominee. As well, Parliament will delegate the power to decide the application of policy to individual cases. This is a particularly important function in relation to granting air carrier routes, telecommunications licences, and other economic privileges.

As auditors, our primary concern in this area is to ensure that the implementation of the scheme complies with the statutory authority granted by Parliament. It may be tempting for regulators to exceed their mandate or to set objectives inconsistent with the authority granted by Parliament in the enabling legislation.

(i) Criterion: The implementation of regulatory schemes should be in accordance with, and within the limits set out by, the relevant legislation.

Consideration of alternatives. Regulatory schemes generally give the Governor in Council, the minister or an other nominee the power to create rules with the force of law. These are known as "subordinate legislation" or "regulations". By creating regulations the nominee defines the constraints or conditions that will govern the regulated activity. Our concern here is that, before imposing any new or different restrictions or requirements on the regulated persons, government regulators should assess all costs to industry and society as a whole and compare these costs against the expected benefits. This is also a Treasury Board requirement under the provisions for the Socio-economic Analysis of Regulation. To do this properly, the regulators require an accurate source of timely and complete information.

(ii) Criterion: Before creating new regulations or imposing added constraints on the regulated industry, administrators of regulatory programs should carry out cost-benefit or risk analyses, assessments of alternatives, or other analysis as may be reasonable.

Clear objectives. In our audits of regulatory entities, the Office has often found that regulatory programs lacked clear and measurable objectives. As well, such programs often failed to rank objectives in order of priority so that resources were not most effectively allocated.

(iii) Criterion: The implementation of regulatory programs should be in accordance with clear and, if possible, quantified objectives.

Efficient implementation. The greatest share of a regulatory program's budget is often used to enforce regulations. Such operational aspects - -for example, ship safety inspections - - should be audited, as in the case of non-regulatory programs, to assess whether due regard has been given to economy and efficiency. However this should be done keeping in mind the overall objectives of the regulatory scheme.

In studying the more "operational" aspects of a regulatory scheme, one should also determine that the activity, be it enforcement by inspection, monitoring by data gathering, or some other task, is the most efficient way of reaching the regulatory objective. For example, to ensure marine safety, does the Coast Guard have to inspect all Canadian vessels or are random checks sufficient, or could the Coast Guard rely on private inspections by the insurer's representative?

(iv) Criterion: The administration and operation of regulatory programs should be carried out with due regard for economy and efficiency.

Impact measurement. Regulatory schemes are created to bring about specific results. The government should be in a position to know how well its programs are reaching the objectives desired by Parliament. The impact of regulatory programs should be monitored and corrective measures taken as required.

(v) Criterion: Management should monitor the effects, including costs and benefits, of regulatory initiatives against their objectives and take corrective measures as required.

6. PROBLEMS IN AUDITING REGULATORY ORGANIZATIONS

There are several factors that may affect the application of comprehensive auditing principles to the area of economic and social regulation.

Political/policy considerations. First, political considerations may be the motivation for regulatory decisions. For example, a given economic regulatory program may be designed to benefit a given region while imposing greater costs on the economy as a whole, although the formally stated objective refers to overall improvements in the economy. In other words, it may be difficult in such situations for the administrator of a regulatory program to apply the principles of value for money.

Unclear results or objectives. Second, it is not always possible to quantify the objectives and results of a regulatory program, thus making analyses difficult. In such cases, it is nevertheless appropriate for an auditor to question a government initiative which is not supported by objective analysis. For example, the Broadcasting Act, which sets up the regulatory scheme in this industry, has as one of its objectives the strengthening of the cultural fabric of Canada.

Variety of regulatory organizations. Third, regulatory entities vary greatly in their nature, activities and relationship to government. For example, the approach necessary for the audit of a large, semi-autonomous, quasi-judicial tribunal such as the CTC will vary greatly from that necessary when studying the Explosives Branch of EMR which has no policy-making or judicial powers. The management of a regulatory body should reflect the special nature of the objectives it was designed to pursue. A comprehensive audit of regulatory programs should be designed to study the work of the organization within the context of its regulatory mandate.

7. AUDITING THE REGULATORY PROCESS: A TYPOLOGY

The business of government is regulation and, in a sense, all its activities are regulatory. However, for our purposes, a regulatory scheme is one where government tries to bring about a specific objective -- safety at sea -- by legislating a change in the behaviour of a given sector of the economy -- the taking of safety measures by ship owners. The regulatory scheme will be characterized by specific rules being created as required, often by subordinate legislation (regulations); by an enforcement function through inspections or other means; by vesting power to decide on the application of general rules to specific cases, as the CRTC does when it grants or rejects a broadcasting licence; and by monitoring the results and taking corrective measures in response. Any given regulatory organization will possess one or more of these characteristics, although most will have a combination of powers and duties.

From the point of view of an auditor studying an organization, the most important variables are:

- (1) Primary function. A regulatory organization's raison d'être is the first thing to determine.
- (2) Having determined the organization's main functions, the next step involves describing the tasks carried out to fulfil these functions. Tasks that regulatory entities may engage in include:
 - (a) information gathering and analysis, including ongoing monitoring of key factors, discussions with regulated groups, EDP, and cost-benefit or risk analyses;
 - (b) policy making;
 - (c) creation of subordinate legislation;
 - (d) adjudication of individual cases; and
 - (e) enforcement of rules, including inspection or certification.

Individual organizations may undertake some or all of these tasks. To develop detailed methodology for auditing a regulatory organization, we intend to use this classification of tasks for the basic approach, including criteria, questionnaires, etc. Each task has its own objectives and operational requirements but must also be evaluated in terms of its contribution to the overall program objectives. Means used by different organizations to carry out their tasks or course will vary. Nevertheless, we want to develop audit tools which that be easily modified to the particular circumstances of most regulatory bodies.

To assist in developing an approach to auditing regulatory agencies, we have developed a rough typology of agencies based on three major variables. The first is the degree of independence from government authority. For example, the CRTC issues licences for broadcasting, free of interference by government

ministers. The second is the degree to which the organization's role is to make general policy decisions. The third is based on the extent to which the organization enforces technical rules.

We have arbitrarily developed three groupings based on these variables:

(1) Statutory Regulatory Agencies

These are largely independent from Cabinet. They have the power to make decisions on applications, regulate rates, hold hearings and set policies. Included in this category are FIRA, CTC, CRTC, and NEB.

(2) Major Regulatory Operations in Departments

These include large regulatory sections in departments normally devoted to a variety of tasks: inspection, monitoring, grading, etc. Examples include the Canada Oil and Gas Lands Administration, the Environmental Protection Service, and Transport's Ship Safety Branch.

(3) Technical Regulatory Organizations

These include small scale, limited impact, technical functions with few discretionary powers. Examples include the Explosives Branch of EMR and the National Meat Inspection Services.

The first type would be the most difficult to audit given the policy-related responsibilities and the quasi-judicial nature of some of their functions. Although the direct costs of these organizations are fairly low, their impact on the economy is high.

The Major Regulatory Operations in Departments generally have high costs for their professional staff and other expenses involved in research, inspections and enforcement. These organizations' high expenditure levels make them prime candidates for comprehensive auditing, both from the point of view of materiality and impact on the regulated industry. These organizations often have technically and operationally complex functions that must be analysed within the overall regulatory programs.

The third category, Technical Regulatory Organizations, include smaller scale, technically oriented units where direct costs and regulatory impact are less. In many cases, these organizations can be scoped out of the audit plan except where they represent an essential part of a larger scale regulatory area.

8. CONCLUSION

8.1 Approach to Auditing Regulatory Organizations

At this point, it is not suggested that a government-wide study of regulatory functions should be conducted. There are too many differences among the types of agencies involved, and no acceptable methodology exists for audit purposes. The best approach is to undertake audits of regulatory functions as part of comprehensive audits of departments and agencies or to try to apply the approach suggested above to regulatory institutions such as the CTC or CRTC.

Of the three types of regulatory organizations outlined above, the second would seem the most appropriate focus at this time. Department Regulatory Operations, which involve areas such as marine safety, air safety, meat inspection and consumer product safety are often among the most important functions of a department and involve large expenditures of money and staff. However, these groups are not as complex and do not have the same scope of decision making or policy and regulation development as regulatory institutions such as CTC or CRTC.

It is recommended that the schedule for regulatory auditing include two pilot projects in 1985-86 as part of comprehensive audits to develop expertise in the Office. This would provide a basis for the Office to audit more complex regulatory agencies such as the CTC. In addition, an individual should be identified to look more closely at the approach the GAO has taken to auditing regulatory organizations and to build up a methodology for the Office in this area over the next two years.

The funding of regulatory audit work within entities will be sponsored by the audit teams themselves. This is a normal part of their audit responsibilities, e.g. meat inspection, air safety, or the CTC, and, in many cases, the cost of the regulatory functions will be material or their impact, significant.

The budget for developing general methodology and expertise over a five year period will require an estimated 3,000 hours or 600 hours a year. This investment should provide savings in the long run. If it is decided, at some future time, to carry out a government-wide audit of regulatory activities, there will already be considerable research and experience available. Future audits of regulatory agencies, such as those already scheduled for the Air Administration of the Department of Transport and for the CTC will also benefit from the work proposed.

Audit Issues for Regulatory Agencies

1979

Chapter: 14

Agency: Environment Canada

- regulation of the environment (air, water pollution, waste management etc.) is the responsibility of the Environmental Protection Service (EPS)
- the audit addressed the following issues related to the regulatory process for environmental protection:
 1. Evaluation of the effectiveness of regulatory programs
 - Generally program objectives were clear and measurable and program structures basically sound. However, the EPS lacks the satisfactory systems and procedures for evaluating the effectiveness of the regulatory process.
 2. Adequacy of the regulation development process.
 - To develop pollution control regulations and guidelines, the EPS needs to set priorities based upon the problem(s) to be regulated and to improve formal planning and control systems.
 - eg. (i) identify and rank pollution problems in order to implement and enforce pollution control measures.
 - (ii) produce a comprehensive schedule (plan) for developing water pollution control regulations.
 3. Jurisdictional Overlap
 - Where the overlap of federal and provincial responsibilities for regulation leads to confusion, detailed working arrangements between agents should be developed.
 - Confusion hinders the enforcement of regulations.
 4. Monitoring compliance with standards
 - Although standards and guidelines for pollution control exist, procedures for monitoring compliance with such regulations are not being followed by the department.

5. Adequacy of information-gathering with respect to compliance.

- The department has inadequate systems for measuring program effectiveness and needs "baseline" data in order to do so.

1979

Chapter: 13

Agency: Canadian Transport Commission

1. Adequacy of Effectiveness Measures

- Although certain program components objectives are stated in the governing legislation and general criteria have been defined, measurement of program effectiveness is still inadequate.
- More precise criteria should be developed in order to measure program effectiveness.
- Further, the CTC should undertake to measure program effectiveness where it is reasonable to do so.

1981

Chapter: 6

Agency: CRTC

- Specific to the regulatory process, the regulation of broadcasting and telecommunications was examined and the following issues addressed:
 - 1) Licensing Procedures
 - The CRTC should review the application granting and broader management procedures in order to reduce the time needed to issue a license.
 - 2) Monitoring compliance with license conditions.
 - Each station is required to adhere to its license conditions (via the "Promise of Performance") but mechanisms to monitor compliance are inadequate.

- 3) Inadequacy of existing standards for a telecommunications service.
 - Given that just and reasonable rates are inherent to a telecommunications service of acceptable quality, the Commission needs to develop suitable standards and service quality indicators.
- 4) Adequacy of information-gathering with respect to compliance.
 - with regard to monitoring performance, the CRTC needs to develop a method for verifying the data submitted by regulated parties.

Chapter: 7

Agency: Consumer and Corporate Affairs

1. Lack of direction in investigations of non-compliance.
 - In the Bureau of Competition Policy, an investigation must be made when a violation of the act is believed to have occurred.
 - In order to ensure that all key factors are considered in such an investigation, the Bureau should develop clear guidelines to assist managers in assigning priorities and allocating resources.
2. Lack of operational objectives
 - In a review of the department's evaluation and regulatory review processes, it was found that program objectives were not specific enough.
 - Objectives should be translated into operational terms in order to facilitate enforcement and measurement of program impact.
3. Inadequacy of information
 - In the Bureau of Corporate Affairs, Bankruptcy Branch, it was found that the Branch's information gathering systems did not facilitate the monitoring area of the overall performance of the system.
 - It was recommended that the results of monitoring should be consolidated and that the Branch ensure that all records are accurate.

- In general, the Department should ensure the Branch managers identify, analyse and use information on environmental and other factors related to their programs in developing plans and priorities.
4. Measurement of Operational Efficiency
- In order to protect the consumers and business from unfair marketing practices, the Marketing Practices Branch examines submitted complaints.
 - In order to assess the efficiency of the review process, the Branch needs to develop work standards for complaints examined, investigations completed and information visits completed.
5. Granting exemption from regulation.
- The Canadian Business Corporations Act makes provision for exemption from certain regulatory requirements but clear or specified exemption criteria for assessing exemption applications do not exist.
 - The Corporate Branch should document exemption criteria and procedures for the review of exemption applications and monitor their use.

1981

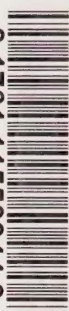
Chapter: 8

Agency: Fisheries and Oceans

1. Program Effectiveness Evaluation
- Evaluations studies and assessments were of uneven quality.
The Department should clarify and define more precisely its objectives in order to measure program effectiveness.
 - It should also complete a profile of the components of program evaluation.
2. Inappropriate surveillance and enforcement activities
- There are weaknesses in inshore surveillance and enforcement which lead to inappropriate practices.
 - To improve surveillance and enforcement, the Department should set clear priorities to determine the distribution of effort as part of its operational planning process.

- In addition, it should ensure that appropriate information on how surveillance and enforcements efforts are being expended.
3. Inappropriate Inspection Levels in the Fish Inspection Program
- Where inspection of production is not mandatory, the department had not determined the appropriate level of inspection.
 - The Department should develop criteria for rating hazard levels and use these to set inspection levels.
 - It should also ensure that timely and appropriate information is available to meet the needs of inspection management.
4. Adequacy of licensing policies and regulations
- The Department lacked consistent and clearly stated licensing policies to cover ownership, utilization, and transferability of licenses and regulations do not cover all aspects of licensing.
 - The Department should develop general policies and principles on licensing which cover utilization, ownership, and transferability and regulations which cover all aspects of licensing.

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